

VZCZCXYZ0033
RR RUEHWEB

DE RUEHMO #0664 0461322
ZNR UUUUU ZZH
R 151322Z FEB 07
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC 7489
INFO RUEHFT/AMCONSUL FRANKFURT 3180
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC

UNCLAS MOSCOW 000664

SIPDIS

SIPDIS
SENSITIVE

STATE FOR EUR/RUS, EB/CBA
FRANKFURT FOR SUSAN STANLEY, BILL COTTER
TREASURY FOR BAKER/GAERTNER
NSC FOR MCKIBBEN
USDOC FOR 4231/IEP/EUR/JBROUGHER

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [RS](#)
SUBJECT: RUSSIA: PRICEWATERHOUSECOOPERS UPDATE

REF: A. MOSCOW 466

[1](#)B. MOSCOW 177

[1](#)1. (SBU) The February 14 start to Moscow Arbitration Court proceedings against PricewaterhouseCoopers (PWC) on charges of falsifying its 2002-2004 audits of former oil giant Yukos was relatively quiet. The composition of the three-person panel was approved, with PWC and the prosecution each being allowed to name one member, the third being the judge in the case. Arguments are scheduled to begin February 26. In this case, tax authorities claim that PWC aided Yukos' tax evasion schemes, and the prosecution is demanding that PWC pay the Federal Tax Service a fine of USD 480,000, which is the amount PWC received for its Yukos audits.

[1](#)2. (SBU) In the second case against PWC, in which the Federal Tax Service charges PWC underpaid USD 14 million in taxes as a result of improperly expensing expatriate salaries, PWC is preparing to file an appeal to the Supreme Arbitration Court February 16. The court can then take up to 30 days to decide whether to hear the case. (Note: In November 2006 the Federal Arbitration Court -- the last court of automatic appeal -- ruled against PWC.) Despite aggressive questioning of PWC senior management about this case on January 30 by the MVD, no criminal charges have been filed.

[1](#)3. (SBU) PWC Global CEO Sam DiPiazso (Amcit) spent the first part of this week in Moscow, touching base with the firm's major clients and a selection of GOR representatives, although notably not Finance Minister Alexandr Kudrin. With the Ambassador, DiPiazso said he believed that a number of discrete USG approaches to the GOR over the past two weeks, including that of Secretary Rice with Foreign Minister Lavrov on February 2, and Ambassador's consultations with Gref, Prikhodko and Miller, had usefully raised the profile of their case among senior GOR officials, including President Putin.

[1](#)4. (SBU) COMMENT. As these two PWC cases unfold, slow is generally good, fast is generally bad, and the good news is that things have noticeably slowed over the past ten days. It is not clear if this is because senior GOR officials are taking a closer look at the case, or due to simple bureaucratic inertia. It stands to reason that if PWC was/is an integral part of someone's calculations in the evolving money laundering case against Khodorkovsky and Lebedev, it

may take sometime to adjust the strategy, should a decision
be made not to catch PWC in the Yukos net.
BURNS